U4110-1 A

PENNSTATE

The Mary Jean and Frank P. Smeal
College of Business Administration

Published since 1938

Pennsylvania Business Survey

September 1990

U.S. AND WORLD DEVELOPMENTS WILL DETERMINE THE FUTURE COURSE OF THE PENNSYLVANIA ECONOMY

The Pennsylvania economy enters the second half of 1990 with little, if any, momentum. For now, a rebound in the economy appears out of the question. In talking about the outlook, the big question concerns whether the economy will "officially" slip into a recession or manage, just barely, to remain afloat.

It is important to point out that the problems currently facing Pennsylvania do not reflect something "wrong" with the Commonwealth's economy. In the early 1980s, a good portion of Pennsylvania's problems were due to structural shortcomings (e.g., outdated production facilities) specific to Pennsylvania and other industrial states. This time around, the slowdown in the Commonwealth appears to be a cyclical response to adverse economic conditions nationwide. **While it can be argued that the Pennsylvania economy is failing to keep up with economic growth in the rest of the nation, the shortfall is minimal and not nearly as worrisome as in the early 1980s when the State was outperformed by a considerable margin.**

Historically, the *Pennsylvania Business Survey* has not been used as a vehicle to offer opinions on the social and political issues of the day. However, because of its potential to greatly influence the course of international, national, and hence, Pennsylvania economic activity, the Middle East situation cannot be ignored in any attempt to gauge the likely course of future economic trends. **From the perspective of the economy, little, if any, good is likely to result from a prolonged military confrontation in the Persian Gulf region.** Those that feel that the economy will rebound in response to military action are likely to be proven wrong should that situation arise. The current crisis is quite different from previous conflicts such as World War II, which many feel brought an end to several years of economic turmoil, and the Vietnam military action, which coincided with the longest economic expansion on record in the U.S. In a nutshell, **the negative consequences, including disruptions in the supply of oil and further pressures on an already weak budgetary situation in Washington, will dominate should armed conflict break out in the Middle East.**

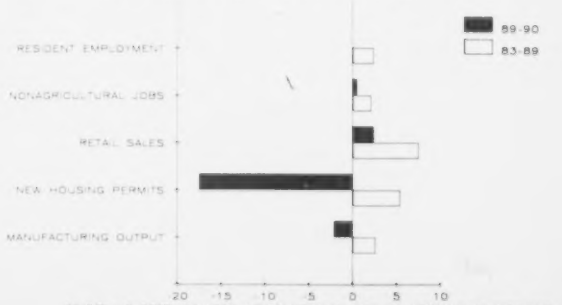
As an aside, the Middle East crisis illustrates the riskiness inherent in economic forecasting. Many forecasts have been rendered obsolete by continuous change in the Persian Gulf situation. Even the above summary, written just a few days prior to the Bush-Gorbachev mini-summit meeting, may be outdated by the time this issue of the *PBS* is distributed to subscribers, given the current hope that the meeting may help bring about a settlement of the dispute. In sum, while the Middle East situation will surely impact the economy in the months ahead, just what those impacts will be is hard to say. It is safe to assume, however, that the likely impacts will not be pleasant.

Without a doubt, economic growth has slowed considerably in Pennsylvania through the first seven months of 1990. **Growth so far this year for five of the more widely followed indicators of the economy's health — resident employment, nonfarm jobs, retail sales, housing unit authorizations, and manufacturing output — is down considerably from 1983-1989 averages** (chart).

Employment and unemployment trends are far from impressive. **On a year-to-date basis, employment in Pennsylvania is unchanged from the first seven months of 1989.** This comes on the heels of a gain of 2.4 percent averaged over the 1983-1989 period. As a result of the sluggish pace of employment growth, the jobless rate has been above year-ago readings for nine consecutive months.

Past research has concluded that labor force participation rates (the labor force expressed as a percent of the civilian population) are influenced by the economy's overall health. If the economy is healthy and employment opportunities are perceived as being plentiful, more residents will be expected to enter the labor force. In an economy that is perceived to be weakening, participation rates tend to decline. Taking these arguments one step further, interstate differences in participa-

RECENT AND HISTORICAL TRENDS IN SELECTED PENNSYLVANIA ECONOMIC INDICATORS
(1989-1990 percent change and 1983-1989 average annual percent change)



SOURCE: U.S. DEPTS. OF LABOR AND COMMERCE, PA DEPT. OF LABOR AND INDUSTRY, PSU.

tion rates may partially reflect differences in the general health of state economies. (Other, mostly demographic, factors, such as the age-distribution of the population, will also influence labor force participation trends.) **Only five states maintained lower labor force participation rates in 1989 than Pennsylvania's 62.5 percent (table). On the surface, this does not shed the overall economic/employment situation in Pennsylvania in a positive light, at least in relative terms, though further analysis is required to draw more definitive conclusions. Some may argue that because the Commonwealth has maintained a jobless rate that has been lower than the U.S. average in recent years, the overall economic/employment situation is actually a bit more positive in Pennsylvania in comparison with the nation.**

For the most part, trends also appear weak with respect to nonfarm jobs. **When trends in 11 "large" states (as classified by the U.S. Bureau of Labor Statistics) are analyzed, Pennsylvania fares quite poorly. Pennsylvania's nonagricultural job growth rate in the first half of this year, at 0.6 percent, is surpassed by eight other states within the group** (chart).

Recent trends in average annual pay levels in Pennsylvania differ considerably between the service and goods producing sectors. The four industries with the strongest percentage growth rates over the 1983-1989 period are each classified as service producing. Labor market theory suggests that as the demand for these types of workers expands, wages and salaries should increase at a relatively strong pace. On

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1990		1989	1990		1989	1990		1989
	June	*July*	*July*	*June*	*July*	*July*	*June*	*July*	*July*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,162*	5,133	5,122	5,122*	5,125	5,107	112.2*	112.3	111.9
Service Producing									
No. of wage and salary jobs (thous.)	3,857*	3,823	3,789	3,838*	3,834	3,799	128.3*	128.2	127.0
Transportation and public utilities	256	250	251	254	254	255	97.0*	96.9	97.6
Wholesale trade	284	284	282	282	282	279	127.1*	127.2	125.9
Retail trade	894*	891	894	891	891	894	124.3*	124.2	124.7
Finance, insurance & real estate	300*	300	301	296	296	297	136.3*	136.1	136.5
Service & miscellaneous	1,422*	1,423	1,391	1,412	1,413	1,381	163.7	163.9	160.1
Federal government	149	148	145	148	147	144	115.3*	114.6	112.0
State & local government	553	528	531	556	550	553	95.4*	94.4	94.9
Goods Producing									
No. of wage and salary jobs (thous.)	1,304	1,308	1,326	1,284	1,291	1,308	81.6	82.0	83.1
Construction	241*	252	254	232	233	235	126.1*	126.7	127.6
Mining	28	27	21	27	27	21	57.1*	56.7	44.0
Manufacturing	1,035	1,029	1,051	1,026	1,028	1,051	76.5	76.6	78.3
Durable goods	588	584	601	583*	583	599	72.0*	71.9	74.0
Nondurable goods	447	445	450	444	446	451	83.4	83.7	84.8
Ave. wkly. hrs. worked by prod. workers	40.8*	40.6	40.8	40.7	40.8	41.0	102.9	103.2	103.7
Total wkly. person-hours worked (mils.)	29.1*	28.8	29.5	28.9	29.0	29.7	75.2*	75.6	77.4
Total wkly. payroll (mil. dols.)	321.3*	318.7	314.2	318.7*	322.0	317.3	141.8*	143.3	141.2
Average hourly earnings (dollars)	11.02	11.07	10.64	11.04	11.09	10.66	188.8	189.6	182.2
Average weekly earnings (dollars)	449.62	449.44	434.11	449.17	453.52	437.85	194.2	196.0	189.3
Steel production (thous. tons)	989*	1012	941	n.a.	n.a.	n.a.	45.4	48.2	45.0
Industrial electric power sales (mil. kwh)	3,852	3,905	3,748	3,789	3,843	3,682	102.6	104.1	99.7
Mining									
Anthracite coal (thous. net tons)	327	277	211	352	304	233	72.0	62.3	47.8
Bituminous coal (thous. net tons)	6,232	5,173	4,095	6,536	6,399	5,274	92.7	90.7	74.8
Construction contracts awarded (mil. dols.)									
Total	919.2	801.9	811.2*	668.3	743.7	814.0*	207.7	231.2	253.0*
Residential building	313.4	332.3	345.7*	288.1	297.5	329.7*	204.7	211.4	234.2*
Nonresidential building	371.8	281.3	330.8*	266.3	289.2	352.4*	245.5	266.5	324.9*
Nonbuilding (utilities and public works)	234.1	188.4	154.6*	113.9	157.0	131.9*	157.1	216.6	182.0*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,678	5,664	5,644	5,624	5,563	5,540	117.0	115.8	115.3
Unemployed									
No. of persons (thous.)	296	310	277	271	292	260	67.5	72.9	64.9
Rate (percentage of labor force)	5.0	5.2	4.7						
Rate, seasonally adjusted				4.6	5.0	4.5			
Civilian labor force, no. of persons (thous.)	5,974	5,974	5,921	5,894	5,856	5,800	113.2	112.5	111.4
Initial claims for unemployment benefits	88,201	106,487	93,305	98,269	98,963	90,843	68.6	69.1	63.4

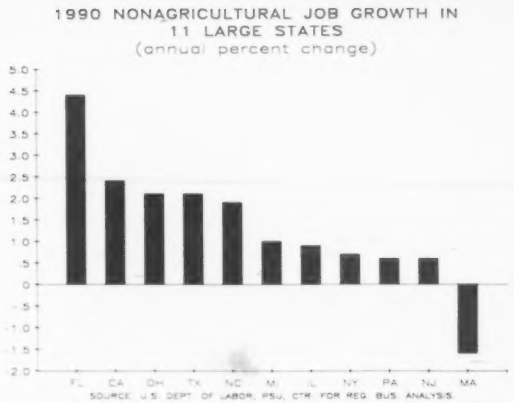
Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1990		1989	*Month Ago*	*Year Ago*
	June	*July*	*July*		
U.S. city average	129.9	130.4	124.4	0.4	4.8
Philadelphia	135.1	136.3	129.3	0.9	5.4
Pittsburgh	125.0	n.a.	120.4&	n.a.	3.8

[1] Total includes workers on strike. * = figure revised n.a. = data not available & = figure for June 1989
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

1989 labor force participation rates (percent of civilian population in labor force: ages 16 and over)

New Hampshire	72.9
Alaska	72.2
Minnesota	71.7
Nevada	71.6
Vermont	71.5
Wisconsin	71.2
Delaware	71.1
Utah	71.1
Maryland	70.9
Iowa	70.2
Connecticut	70.0
South Dakota	69.6
Wyoming	69.4
District of Columbia	69.3
Kansas	69.3
North Dakota	69.2
Virginia	69.2
Texas	69.0
Colorado	68.9
Massachusetts	68.9
Washington	68.9
North Carolina	68.7
Indiana	68.3
Oregon	68.3
Rhode Island	68.2
Illinois	68.1
Georgia	68.0
Nebraska	68.0
Montana	67.9
California	67.7
Idaho	67.4
Missouri	66.8
Hawaii	66.4
Maine	66.3
New Jersey	66.1
South Carolina	66.0
Michigan	65.7
Ohio	65.6
Arizona	65.2
Oklahoma	63.8
New Mexico	63.7
Arkansas	63.4
Tennessee	63.1
New York	62.9
Florida	62.6
Pennsylvania	62.5
Kentucky	62.3
Alabama	62.1
Mississippi	61.6
Louisiana	60.2
West Virginia	53.6

Source: U.S. Dept. of Labor, Bur. of Labor Statistics.



the goods producing side, where downward pressure has been exerted on job levels over much of the period, increases in pay have not nearly been as pronounced. Of the five industries with the weakest gains in average pay over the period, three are from the goods producing side.

Weakness is clearly evident on the retail sales front. Through June, sales are up only 2.4 percent from a year ago. Prices, on the other hand, are up by about twice as much over the same period. Trends in auto-related sales and in new vehicle registrations remain especially weak. **As sales growth**

Pennsylvania retail sales (millions of dollars; pct. chg. from year ago)

	June	Pct. chg.	Year-to-date	Pct. chg.
Total	7,050	0.7	39,760	2.4
Durables	2,590	– 3.6	14,225	0.3
Bldg. mat.	357	4.7	1,617	– 0.9
Auto dlrs.	1,605	– 1.1	8,511	– 1.9
Furniture	313	– 4.6	1,868	5.9
Other	315	– 20.1	2,229	5.9
Nondurables	4,460	3.4	25,535	3.5
Gen. mdse.	715	1.3	3,840	3.3
Food/grocery	1,458	4.7	8,349	3.4
Gas	410	1.2	2,340	2.8
Apparel	345	3.9	1,909	3.5
Eat/drink	844	7.4	4,734	6.0
Drugs	255	– 1.9	1,531	– 0.9
Other	433	0.2	2,832	3.3
Seas. adj. total: June		6,887		
May		6,860		

Source: Tot./Dur./Nondur.-U.S. Dept. of Commerce, Bur. of the Census. Seas. adj. total-PSU, Ctr. for Reg. Bus. Analysis.
Data in the sub-categories of the durable and nondurable groups are subject to relatively large sampling variability. As a result, only pct. changes are shown.

New Pennsylvania motor vehicle registrations (percent change from year ago)

	Total registrations	Pct. change
June	58,635	– 0.9
1990 YTD	314,409	– 6.5
12-month total	643,494	– 8.7

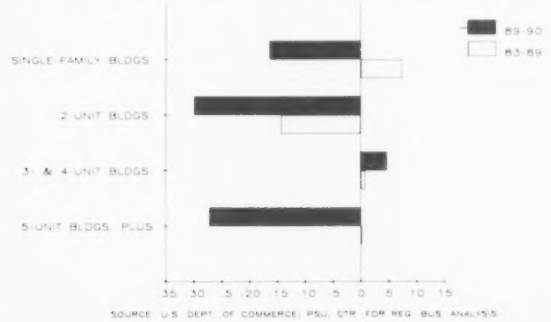
Source: R.L. Polk & Co.

New Pennsylvania building permit authorizations (percent change from year ago)

	July	Pct. chg.	Year-to-date	Pct. chg.
Residential	3,216	– 19.1	23,377	– 17.5
Nonresidential	2,507	12.0	12,892	– 4.6

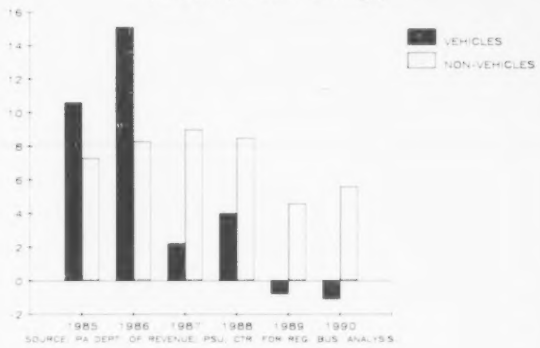
Source: U.S. Dept. of Commerce, Bureau of the Census.

RECENT AND HISTORICAL TRENDS IN PENNSYLVANIA HOUSING UNIT AUTHORIZATIONS BY BUILDING CATEGORY
(1989-1990 pct. chg. and 1983-1989 avg. ann. pct. chg.; categories determined by no. of units in bldgs.)



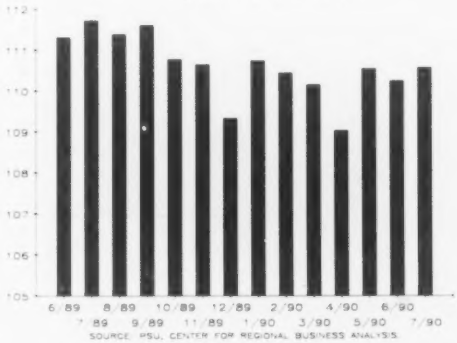
SOURCE: U.S. DEPT. OF COMMERCE; PSU, CTR. FOR REG. BUS. ANALYSIS.

MOTOR VEHICLE AND NON-MOTOR VEHICLE PA SALES AND USE TAX COLLECTIONS GROWTH
(annual percent change)



SOURCE: PA DEPT. OF REVENUE; PSU, CTR. FOR REG. BUS. ANALYSIS.

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan. 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS.

has eased in recent months, so has the growth in sales and use tax collections on the part of the Pennsylvania Department of Revenue (chart). A good portion of the weakness is found in the motor vehicles category where collections are actually down from a year ago. While still positive, growth in the non-vehicles component has been weaker during 1989 and 1990 than in years past. (1990 trends are based on data through July.)

There is no end in sight to the downward spiral in construction activity. In July, new housing unit authorizations are down nearly one-fifth from a year ago, the 18*th* decline in the past 19 months. While nonresidential permits are up a bit for the month, the year-to-date trend still points down.

On the residential side, trends differ considerably across the various building categories (chart). The only structures to realize a gain in permit authorizations so far this year are those with 3 or 4 housing units (i.e., small apartment buidings and condominium structures). On the single-family side, permit authorizations are off 16 percent through July. Over the 1983-1989 period, single-family authorizations grew at an average rate of 7.4 percent. Authorizations for housing units in buildings which contain at least five units are off more than 25 percent this year.

In a nutshell, it is hard to find any sign of improvement in the Pennsylvania economy based on trends through July. While there may be scattered improvement in individual indicators, the overall trend remains worrisome. Still, the evidence is not so convincing as to conclude that the Commonwealth is in, or is headed for, a recession. That is practically entirely dependent on how the national and international economic situation unfolds in the months ahead. On the plus side, there was a slight uptick in the index of leading indicators for the State in July, though declines have still been recorded in four of the past six months.

— *William D. Anderson*

Personal Income Report

Over the course of the late 1980s, Pennsylvania personal income trends pointed to an economy that was on the rise. Trends in this year's first quarter suggest that these strong income gains have apparently come to an end, at least temporarily, in the Commonwealth. Typically, it is best not to base such a contention on just one quarter's data. However, in combination with other measures of the economy's health in the State, first quarter personal income trends leave little doubt that the recovery in Pennsylvania has slowed considerably. It is hard to find any signs of strength in the Commonwealth's economy.

In totaling $217,396 million in the first quarter, personal income in Pennsylvania is up 6.1 percent from a year ago. This represents the weakest gain in three years. In real, or inflation adjusted, terms, the annual gain in personal income is the smallest since 1983. Nationwide, personal income is up 6.9 percent in the first quarter. All told, 30 states have turned in personal income gains in the first quarter which are stronger than Pennsylvania's. First quarter income growth in Pennsylvania trails every other state (DE, MD, NJ, and NY) in the mideast region. The Commonwealth's showing relative to the New England and Great Lakes states is, for the most part, relatively impressive.

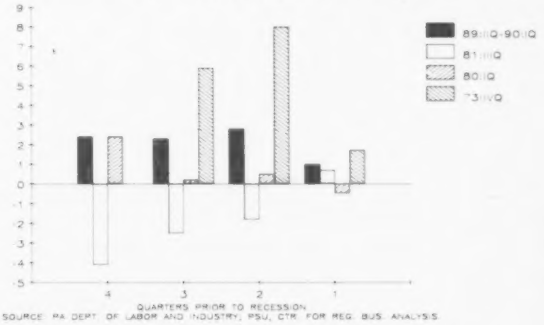
Although first quarter developments are far from positive, they are not indicative of a recession. Trends over the past four quarters are somewhat encouraging relative to the four quarters prior to the three most recent recessions. Specifically, real personal income growth trends prior to the recessions beginning in the third quarter of 1981 and the first quarter of 1980 were considerably weaker than the more recent trends (chart). Personal income growth prior to the 1973:IVQ recession was significantly stronger than in the current period. In last month's *PBS*, an examination of recent nonfarm job trends showed that the current pattern of job growth is not inconsistent with trends prior to previous recessions. With such a mixed bag of evidence, the safest forecast is for continued weak, albeit nonrecessionary, growth in the Pennsylvania economy. Still, one cannot ignore the possibility of recession, especially in light of escalating tensions in the Middle East and their potential impacts on the U.S. and Pennsylvania economies.

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

		Pct. change			Pct. change	
	Personal income	Qt. ago	Yr. ago	Nonfarm personal income	Qt. ago	Yr. ago
1990:IQ	217,396	1.8	6.1	216,104	1.7	6.1
1989:IVQ	213,648	1.4	7.1	212,570	1.4	7.1

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis

REAL PA INCOME GROWTH: 89:IIQ-90:IQ AND FOUR QUARTERS PRECEDING THREE PREVIOUS RECESSIONS
(annual percent change; recessions began in 81:IIIQ, 80:IQ, and '73:IVQ)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

PROGNOSIS FOR A RECOVERING RURAL PENNSYLVANIA ECONOMY

Historically, the focus of the Pennsylvania Business Survey *has been on the Commonwealth's economy and its major metropolitan areas. In order to provide readers with a broader feel for trends and issues as they relate to the Pennsylvania economy, it is felt that it is worthwhile to provide a thorough overview of economic conditions in rural Pennsylvania. This represents the first of what will hopefully be an annual review of the rural Pennsylvania economy.*

Pennsylvania has the largest rural population in the nation with more than 3.6 million residents. This special report focuses on key economic indicators for Pennsylvania's "most rural" counties during the decade of the 1980s. According to the U.S. Census Bureau, persons living in boroughs and townships with a population under 2,500 are rural residents. Outlined on the accompanying map are Pennsylvania's "most rural" counties, defined as having over 50 percent of their population living in rural boroughs and townships.

This report was prepared by the Center for Rural Pennsylvania, a legislative agency of the Pennsylvania General

URBAN AND RURAL PENNSYLVANIA COUNTIES
(urban counties are shaded)

Assembly. A copy of the full study, Rural Pennsylvania Enters the 1990s: Economic Development Outlook and Opportunities, *is available from the Center for Rural Pennsylvania, 212 Locust Street, Harrisburg, Pennsylvania 17101 (717-787-9555). The Center for Regional Business Analysis gratefully acknowledges the authors of this study and their willingness to present their findings in the* Pennsylvania Business Survey.

The vital signs indicate improved economic health for rural Pennsylvania throughout the latter half of the 1980's. However, the long-term prognosis for rural Pennsylvania is uncertain as unemployment remains high, and the gap between urban and rural per capita income levels continues to widen. The increasing threat of national economic recession is of particular concern for an already weak rural economy.

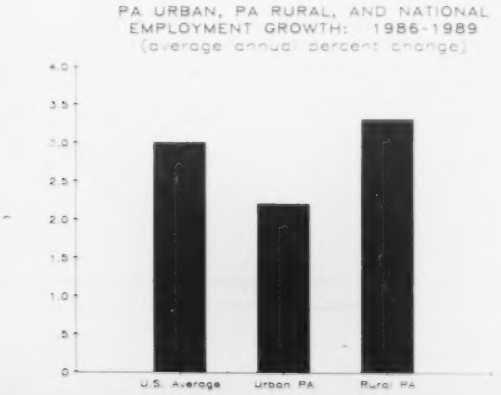
Rural Employment Decline: 1980-1986

Reflecting trends in the national and State economies, Pennsylvania's 42 most rural counties suffered serious employment losses during the first half of the 1980s. The loss of higher paying manufacturing and mining jobs was particularly damaging. During the first six years of the 1980s, more than 50,000 manufacturing jobs and 7,000 mining jobs were lost from the rural areas.

The large decline in manufacturing and mining employment disproportionately impacted rural counties in the western half of the Commonwealth. With the exception of Bedford and Potter, all rural counties in the western half of the State suffered significant net job losses between 1980 and 1986. In contrast, the majority of counties in the eastern half of the State benefited from net job growth during this same time period. While most eastern Pennsylvania rural counties also lost manufacturing jobs, their relatively diverse economies benefited from the more than 30,000 rural service and retail jobs during the early 1980s.

Rural Employment Growth: 1986-1989

The accompanying chart illustrates the resurgence of rural employment opportunities in the late 1980s. While urban Pennsylvania's employment growth did not keep pace with national trends, rural employment grew at a rate faster than the national average. In total, there was a net increase of over 75,000 new jobs during 1986-1989.



Even western counties which suffered major manufacturing declines during the first half of the decade gained net jobs during the last three years. With only three exceptions (McKean, Venango, and Greene), Pennsylvania's rural counties all gained employment during the last three years of the 1980s. Twenty-five of the 42 rural counties had rates of job growth above the national average (9.3 percent) for the last three years of the decade.

The geographically diverse rural employment recovery of the late 1980s was driven by expansion within a broad range of economic sectors. Eighteen specific business and industry categories gained more than 1,000 jobs over the three year period (table).

Significantly, manufacturing industries provided 19,765 new jobs in rural counties between 1986 and 1989. The leading rural manufacturing industries were wood products and food processing. Even primary metals industries, which alone lost more than 10,000 rural jobs between 1980 and 1986, gained nearly 1,600 new rural jobs in the last three years of the 1980s.

The expansion of manufacturing primarily explains why job growth in rural counties has outpaced urban areas in recent years. During the last three years of the 1980s, manufacturing employment expanded 10.1 percent in rural counties while declining by 2.6 percent in urban places. Among Pennsylvania's 42 rural counties, 32 gained manufacturing jobs between 1986 and 1989. Manufacturers increasingly seek rural locations offering a larger labor pool and generally lower operating costs.

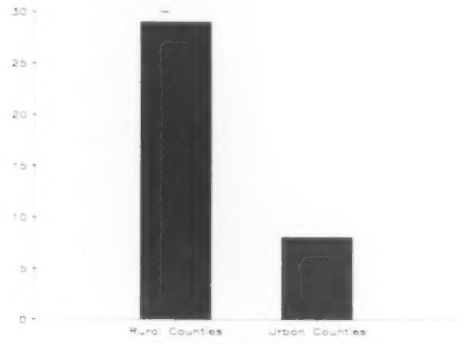
Unemployment Remains High in Many Rural Areas

While rural job growth has outpaced urban areas in recent years, unemployment statistics reveal rural residents are having greater difficulty finding jobs than their urban counterparts. Almost one-third of the rural counties face unemployment rates in excess of 7 percent. Less than one-tenth of urban counties maintained jobless rates in excess of 7 percent (chart). Rural counties with the highest unemployment rates tend to be the more isolated counties located in the western half of the State.

Rural Pennsylvania Growth Industries: 1986-1989

Industry	Net new jobs: 1986-1989
Manufacturing	
Lumber/Wood Products	3,708
Food Products	2,063
Rubber/Misc. Products	1,644
Primary Metals	1,596
Transportation Equipment	1,240
Furniture/Fixtures	1,140
Service Related	
Health Services	4,499
Eating/Drinking Places	3,042
Special Trade Contractors	2,452
General Bldg. Contractors	2,408
Business Services	2,271
Social Services	2,212
Food Stores	2,189
Gen. Merchandise Stores	1,821
Hotels/Lodging	1,394
Amuse./Recreation Services	1,330
Auto Dlrs./Serv. Stations	1,181
Wholesale Trade-Durables	1,016

PERCENT OF PENNSYLVANIA COUNTIES WITH UNEMPLOYMENT RATES ABOVE 7 PERCENT: 1989



A number of factors likely contribute to continued high unemployment rates in rural counties relative to their urban counterparts. Perhaps among the most important is the reality that unemployed rural residents must often compete with new or returning residents for available jobs. As new job opportunities become available in rural Pennsylvania, many residents who left during the 1980s seek to return. Because these individuals have continued to refine their skills at jobs in other regions of the country, they are usually the first to be chosen by new rural employers. As a result, the long-term unemployed are often by-passed when new employment opportunities arise.

Rural Income and Wages Have not Kept Pace With the Statewide Average

A "bottom-line" indicator of the economic condition of a community or area is the income of its residents. In 1987, after the employment declines of the early 1980s and at the beginning of the 1986-1989 employment turnaround, per capita incomes in rural counties reflected significant economic problems for the rural families. Nearly two-thirds of Pennsylvania's 42 most rural counties had per capita income levels below 80 percent of the Statewide average in 1987.

The long-term trend for per capita income levels in rural Pennsylvania communities suggests significant underlying problems for rural economies. Per capita income declined relative to the Statewide average in three-fourths of Pennsylvania's rural counties between 1979 and 1987.

The precise impact of recent rural job growth on rural income can not be assessed until more recent county level per capita income data becomes available. However, wage and salary trends of the 1980s do not provide an optimistic picture. While rural job growth outpaced urban growth during the last three years of the 1980s, wages and salaries have not followed suit.

Average annual wages of workers in rural Pennsylvania have been consistently below the Statewide average over the decade (chart). The average annual inflation-adjusted wage of workers in rural Pennsylvania has risen along with job growth in the late 1980s, but not as rapidly as Statewide. The dominance of lower wage jobs has also meant lower incomes for many rural families.

Prescription for a Healthy Rural Economy

Recent employment growth is indicative of a strengthening rural Pennsylvania economy. However, the future economic health of rural Pennsylvania remains vulnerable as unemployment is slow to decline in most rural counties and the gap between urban and rural per capita income levels continues to widen. A major national recession could quickly erode rural economic gains of the late 1980s.

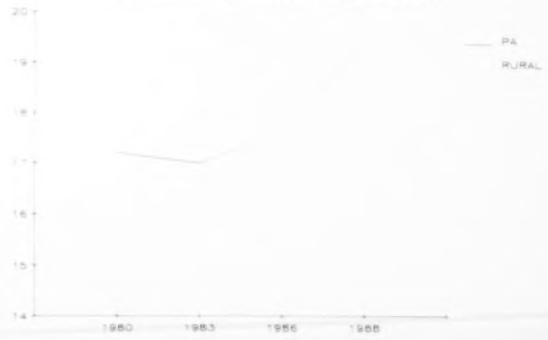
Essential to a diagnosis of economic health for rural Pennsylvania are the expansion of higher paying rural employment opportunities, increased presence of national growth industries, and success in integrating the long-term unemployed into the workforce. Consequently, a successful prescription for long-term rural economic health must be broad-based, addressing the needs of rural people as well as the needs of rural business and industry.

The following are offered not as a complete list, but rather examples of what can be done to promote future rural economic health:

Create a Better Educated Rural Workforce . . . Education is key to both developing quality rural job opportunities and improving the ability of long-term unemployed rural residents to obtain meaningful employment. Over 50 percent of the jobs created during the 1990s will require some education beyond high school. Jobs of the future will demand higher skill levels, but rural people lag behind in participation in programs that provide needed skills. A recent Statewide survey found that one of the most pressing problems for business people is recruiting workers with adequate skills. Among the skills most in demand by employers are computer skills, basic math, basic English, and communication skills. Studies document that the availability of a skilled labor force is a key consideration of business people in choosing a location for their business. This is particularly true for businesses offering higher wage jobs.

Encourage Residential-Based Development in Smaller Rural Communities . . . Approximately 1,800 of Pennsylvania's 2,600 municipalities are smaller than 2,500 people. Attracting new industry to these smaller

AVERAGE ANNUAL REAL WAGES: PENNSYLVANIA AND RURAL COUNTIES
(thousands of 1982-1984 dollars)



communities is difficult. However, with appropriate policies to improve housing and community amenities, these same small communities unable to attract industry can be successful in attracting and retaining residents. New residents can be a powerful economic base for many small communities. First, those residents who commute to surrounding employment centers for work, bring their paycheck home. By spending that paycheck in local businesses, they contribute to the long-run economic vitality of the community. A second way new residents, especially retirees, contribute to rural economies is through local spending of dividends and interest from personal investments and government payments such as social security. At the State level, tapping the potential of residential-based development for smaller rural communities will require improved integration of community development with traditional business development efforts.

Increase Access to State Programs . . . Before developing new State programs for rural economic development, it is prudent to develop mechanisms to first improve the utilization of existing programs within rural areas. Rural areas face unique circumstances in using State programs. Examples of unique circumstances inherent in sparsely populated rural areas include: difficulties attracting new business and industry, high cost of providing services for a small population, large numbers of small governmental units with resultant coordination problems, and reliance on part-time elected officials and volunteers. As state programs generally do not recognize these disadvantages, rural areas do not participate in the programs available to them in proportion to their needs. Modification of community and economic development program criteria and design to better meet rural needs is one action which can be taken to increase rural access to State programs.

Pennsylvania Business Survey

September 1990 Vol. 31, No. 9

Published monthly by the Division of Research of The Mary Jean and Frank P. Smeal College of Business Administration, 108 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $12.00 a year.
(ISSN 0031-4382)

J.D. Hammond, Dean of the College
Paul H. Rigby, Associate Dean for Research and Graduate Programs
Rodney A. Erickson, Director of the Center for Regional Business Analysis and Associate Director of the Division of Research
William D. Anderson, Assistant Director of the Center for Regional Business Analysis
Doris J. Bickle, Staff Assistant
Mary Jane Corman, Subscription Coordinator

The content of this publication is not copyrighted and may be reproduced freely, but acknowledgement of source will be appreciated.

The Pennsylvania State University, in compliance with federal and state laws, is committed to the policy that all persons shall have equal access to programs, admission, and employment without regard to race, religion, sex, national origin, handicap, age, or status as a disabled or Vietnam-era veteran. Direct all affirmative action inquiries to the Affirmative Action Office, 201 Willard Building, University Park, PA 16802; (814) 863-0471.

U.Ed. BUS 91-44

PENNSYLVANIA BUSINESS SURVEY
Division of Research
The Smeal College of Business Administration
The Pennsylvania State University
University Park, PA 16802

ADDRESS CORRECTION REQUESTED

Nonprofit org.
U.S. Postage
PAID
The Pennsylvania
State University

* 018-01-12002
* SRI
CONGRESSIONAL INFO SERVICE
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814